

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 753 - SB 1169

March 21, 2019

SUMMARY OF BILL: Adds a patient's residence and place of employment, if equipped to engage in telecommunications, as locations a patient may receive telehealth services. Requires health insurance entities to reimburse healthcare service providers for a telehealth originating site facility fee. Removes certain types of insurance from telehealth coverage exemption. Updates the definition of "telehealth" to include remote patient monitoring telemedicine services.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$2,370,000

Increase Federal Expenditures - \$4,382,500

Increase Local Expenditures - \$7,700*

Other Fiscal Impact – The Division of TennCare and Benefits Administration will experience an increase in telehealth claims. Due to multiple unknown factors such as the extent of any such increase, the cost of services provided, and any realized savings from services that would have been provided in-person under current law, any additional fiscal impact on state, local and federal expenditures cannot be quantified with reasonable certainty.

Assumptions:

- The proposed legislation requires the healthcare insurer to pay any originating facility fees.
- Enrollment in the TennCare program as of January 2019 was approximately 1,352,800 individuals. The average origination site fee is approximately \$19.82 per claim.
- Assuming 25 percent, or 338,200 enrollees, will have a telehealth claim, the increase in expenditures is estimated to be \$6,703,124 (338,200 x \$19.82) in FY19-20.
- Medicaid expenditures receive matching funds at a rate of 65.375 percent federal funds to 34.625 percent state funds. Of this amount \$2,320,957 (\$6,703,124 x 34.625%) will be in state funds and \$4,382,167 (\$6,703,124 x 65.375%) will be in federal funds.
- Based on information provided by the Division of Benefits Administration (Benefits Administration), the average per claim amount for originating site facility fees is \$25.76.

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In calendar year 2018, there were 3,324 telehealth claims. The total increase in medical service spend is estimated to be \$85,626 (3,324 claims x \$25.76) in FY19-20 and subsequent years.

- It is estimated that 52 percent of members are on the State Employee Plan, 39 percent are on the Local Education Plan and 9 percent are on the Local Government Plan.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of \$35,621 ($\$85,626 \times 52.0\% \times 80.0\%$).
- The state contributes 45 percent of instructional member premiums (75 percent of Local Education Plan members) and 30 percent of support staff member premiums (25 percent of Local Education Plan members) resulting in state expenditures of at least \$13,775 [$(\$85,626 \times 39.0\% \times 75.0\% \times 45.0\%) + (\$85,626 \times 39.0\% \times 25.0\% \times 30.0\%)$].
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 0.89 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to be \$317 ($\$35,621 \times 0.89\%$).
- The state does not contribute to the Local Government Plan; any increase in premiums will be entirely absorbed by the participating agencies and their members.
- It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to be \$7,706 ($\$85,626 \times 9.0\%$).
- It is unknown the impact on local governments that do not opt into the Local Government Plan; therefore, the total increase in local expenditures is estimated to exceed the \$7,706 increase to the state plan.
- The total increase in state expenditures is estimated to be \$2,370,036 ($\$2,320,957 + \$35,621 + \$13,775 - \317).
- The total increase in federal expenditures is estimated to be \$4,382,484 ($\$4,382,167 + \317).
- Based on information provided by the Department of Commerce and Insurance (DCI), the DCI can review policy contracts and investigate complaints utilizing existing resources without an increased appropriation or a reduced reversion.

IMPACT TO COMMERCE:

Increase Business Revenue - \$6,760,200

Other Commerce Impact – Due to multiple unknown factors such as the extent of any increase in utilization of telehealth services, the cost of such services, and any realized savings, any additional impact to commerce and jobs cannot be determined with reasonable certainty.

Assumptions:

- Healthcare providers of telehealth services will experience an increase in business revenue for reimbursement of telehealth originating site facility fee.

- The increase in business revenue is estimated to be \$6,760,226 (\$2,370,036 + \$4,382,484 + \$7,706).
- Healthcare providers should not experience a significant increase in business expenditures for collecting such originating site fees.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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